



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 28, 1989

MEMORANDUM

TO: FRED EILAND
CHIEF, PRESS OFFICE

FROM: ROBERT J. COSTA *RC*
ASSISTANT STAFF DIRECTOR
FOR THE AUDIT DIVISION

SUBJECT: PUBLIC ISSUANCE OF FINAL AUDIT REPORT-
HAIG FOR PRESIDENT

Attached please find a copy of the final audit report on Haig for President which was approved by the Commission on June 22, 1989.

Informational copies of the report have been received by all parties involved and the report may be released to the public.

Attachments as stated

cc: FEC Library
RAD
Public Disclosure
Office of General Counsel

89070164656



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

June 23, 1989

Dominic Saraceno, Treasurer
Haig for President
c/o Kurt Saracen
57 Wells Avenue
Newton Center, MA 02159

Dear Mr. Saraceno:

Attached please find the Final Audit Report on Haig for President. The Commission approved the report on June 22, 1989.

In accordance with 11 C.F.R. §§9038.2(c)(1) and (d)(1), the Commission has made an initial determination that the Candidate is to repay to the Secretary of the Treasury \$8,834.14 within 90 days after service of this report (September 23, 1989). Should the Candidate dispute the Commission's determination that a repayment is required, Commission regulations at 11 C.F.R. §9038.2(c)(2) provide the Candidate with an opportunity to submit in writing, within 30 calendar days after service of the Commission's notice (July 25, 1989), legal and factual materials to demonstrate that no repayment, or a lesser repayment, is required. The Commission will consider any written legal and factual materials submitted by the Candidate within this 30 day period in making a final repayment determination. Such materials may be submitted by counsel if the Candidate so elects. If the Candidate does not dispute this initial determination within the 30 day period provided, it will be considered final. Should the Committee wish to file a response to the initial repayment determination contained in the Final Audit Report, please contact Kim Bright-Coleman in the Office of General Counsel at (202) 424-9530, or toll free at (800) 424-9530.

The Commission approved copy of the Final Audit Report will be placed on the public record within approximately 24 hours. Should you have any questions regarding the public release of this report, please contact Mr. Fred S. Eiland of the Commission's Press Office at (202) 376-3155 or toll free at (800) 424-9530.

89070164657

Dominic Saraceno, Treasurer
Haig for President
Page 2

Any questions you may have related to matters covered during the audit or in the report should be directed to Valerie Conroy of the Audit Division at (202) 376-5320 or toll free at (800) 424-9530.

Sincerely,



Robert J. Costa
Assistant Staff Director
Audit Division

cc: Lawrence J. Halloran
Kathy MacKenzie

8 9 0 7 0 1 6 4 6 5 8



FEDERAL ELECTION COMMISSION

WASHINGTON DC 20463

 REPORT OF THE AUDIT DIVISION
 ON
 HAIG FOR PRESIDENT
I. BackgroundA. Overview

This report is based on an audit of Haig for President ("the Committee") to determine whether there has been compliance with the provisions of the Federal Election Campaign Act of 1971, as amended ("the Act") and the Presidential Primary Matching Payment Account Act. The audit was conducted pursuant to 26 U.S.C. § 9038(a) which states that "After each matching payment period, the Commission shall conduct a thorough examination and audit of the qualified campaign expenses of every candidate and his authorized committees who received payments under Section 9037."

In addition, 26 U.S.C. § 9039(b) and 11 C.F.R. § 9038.1(a)(2) state, in relevant part, that the Commission may conduct other examinations and audits from time to time as it deems necessary, and to require the keeping and submission of any books, records, and information, which it determines to be necessary to carry out its responsibilities.

The Committee registered with the Federal Election Commission on April 2, 1987. The Committee maintains its headquarters in McLean, Virginia.

The audit covered the period from the Committee's inception, December 1986 through March 31, 1988. In addition, certain other financial activity relating to the Committee's Statement of Net Outstanding Campaign Obligations was reviewed through April 21, 1988.

The Committee reported an opening cash balance of \$-0-, total receipts of \$2,435,178.27, total disbursements of \$2,436,247.30 and a closing cash balance of \$63.47* on March 31, 1988. Under 11 C.F.R. § 9038.1(e)(4) additional audit work may be conducted and addenda to this report issued as necessary.

* / Due to math errors made by the Committee, the totals do not foot.

This report is based upon documents and workpapers which support each of the factual statements. They form part of the record upon which the Commission based its decisions on the matters in the report and were available to Commissioners and appropriate staff for review.

B. Key Personnel

The Committee Treasurer from April 2, 1987 through July 20, 1987 was Stephen A. Jernigan. Dominic J. Saraceno became Treasurer July 28, 1987 and remains the Treasurer of record.*/

C. Scope

The audit included such tests as verification of total reported receipts, disbursements and individual transactions; review of required supporting documentations; analysis of Committee debts and obligations; review of contribution and expenditure limitations; and such other audit procedures as deemed necessary under the circumstances.

II. Audit Findings and Recommendations Related to Title 2 of the United States Code

Introduction

The findings set forth in this report are not complete due to the Committee's failure to provide certain records requested in the interim report. Additional findings may be issued in an addendum to this report following review of these records.

A. Misstatement of Financial Activity

Section 434(b) of Title 2 of the United States Code states, in part, that each report shall disclose the total of all receipts and disbursements received or made during the reporting period and the calendar year.

The reconciliation of the activity per the Committee's bank accounts to its disclosure reports filed during calendar year 1987**/ and reporting periods January 1, 1988 through March 31, 1988 indicated the following differences:

1987

-	Reported receipts were overstated by	\$20,370.73
-	Reported disbursements were understated by	\$36,384.40
-	Reported ending cash was overstated by	\$56,755.13

*/ There was no treasurer of record between July 21, and July 27, 1987.

**/ The Committee's 1986 exploratory account activity was included in its first report filed during calendar year 1987.

89070164650

The misstatement of receipts for 1987 was primarily the net result of the duplicative reporting of \$32,632 of individual contributions on the third quarter disclosure report, the failure to report \$5,025 in refunds of deposits and \$10,500 of contributions received from individuals, the reporting of \$119.80 of bank charges as a receipt, and \$3,143.93 was unexplained.

The misstatement of disbursements was primarily the result of unreported expenditures totalling \$39,125.91, the under-reporting of three expenditures by \$615.43, and \$2,210.59 in disbursements reported and dated January 1, 1988 but which cleared the Committee's depository on December 31, 1987.

January 1 - March 31, 1988

-	Reported receipts were understated by	\$62,234.89
-	Reported disbursements were understated by	\$ 2,841.32
-	Reported ending cash was understated by	\$ 1,505.45

The 1988 misstatement of receipts was primarily the result of an unreported \$50,000 line of credit advance and an unreported \$6,600 transfer from the Committee's "General Election"*/ account.

At the exit conference held May 20, 1988, Committee officials were given copies of audit workpapers which identified the required adjustments. Committee officials indicated that comprehensive amendments correcting the misstatement of financial activity would be filed.

In the interim audit report, the Audit staff recommended that the Committee file comprehensive amendments for 1987 and 1988 correcting the aforementioned misstatements. On December 21, 1988 the Committee filed a comprehensive amendment correcting the misstated activity.

Recommendation #1

The Audit staff recommends no further action be taken on this matter.

B. Itemization of Contributions Received from Political Committees

Section 434(b)(3)(B) of Title 2 of the United States Code states, in part, that each report under this section shall disclose for the reporting period the identification of each political committee which makes a contribution to the reporting committee, together with the date and amount of any such contribution.

*/ The Committee filed a disclosure report designated for the General Election on October 15, 1987 and maintained a General Election bank account.

8 9 0 7 0 1 6 4 6 5 1

A review of contributions received from political committees revealed that two contributions, totalling \$1,000, were not itemized correctly. The Committee itemized a \$500 contribution from Bake-PAC, PAC of the Independent Bakers Association (Bake-PAC) as a contribution from an employee of the Independent Bakers Association; and itemized a \$500 contribution from Lockheed Employees PAC as a contribution from a Corporate Vice President of Lockheed Corp. The Audit staff noted that copies of the Bake-PAC and Lockheed PAC contribution checks were accompanied by solicitation cards referring to the Leadership for America Reception held June 10, 1987; the individuals mentioned above were listed as attendees to the event. Committee officials responded that a comprehensive amendment would be filed.

In the interim audit report, the Audit staff recommended the Committee file a comprehensive amendment that correctly itemizes the aforementioned contributions. On December 21, 1988 the Committee filed a comprehensive amendment correcting the itemization errors.

Recommendation #2

The Audit staff recommends no further action be taken on this matter.

C. Itemization of Disbursements

Section 434(b)(5) of Title 2 of the United States Code states, in part, that each authorized committee shall report the name and address of each person to whom an expenditure in an aggregate amount or value in excess of \$200.00 within the calendar year is made, together with the date, amount, and purpose of such expenditure.

During a review of the activity relative to the Committee's disbursements made from the New Hampshire bank account, it was determined that the Committee did not itemize \$12,973.29 in disbursements. At the exit conference, schedules detailing these disbursements were provided to the Committee.

Committee officials explained that beginning in January 1988 funding transfers from its Riggs Main account to the New Hampshire bank account were reported rather than the actual disbursements from the New Hampshire bank account.

The Committee indicated a comprehensive amendment would be filed in which the above mentioned disbursements would be itemized.

In the interim audit report, the Audit staff recommended that the Committee file a comprehensive amendment itemizing all required disbursements. On December 21, 1988 the Committee filed a comprehensive amendment itemizing all required disbursements.

89070164652

Recommendation #3

The Audit staff recommends no further action be taken on this matter.

D. Matters Referred to Office of General Counsel

Certain other matters noted during the audit have been referred to the Commission's Office of General Counsel.

III. Findings and Recommendations Related to Title 26 of the United States Code

A. Calculation of Repayment Ratio

Section 9038(b)(2)(A) of Title 26 of the United States Code states that if the Commission determines that any amount of any payment made to a candidate from the matching payment account was used for any purpose other than to defray the qualified campaign expenses with respect to which such payment was made it shall notify such candidate of the amount so used, and the candidate shall pay to the Secretary an amount equal to such amount.

The Regulations at 11 C.F.R. § 9038.2(b)(2)(iii) state that the amount of any repayment sought under this section shall bear the same ratio to the total amount determined to have been used for non-qualified campaign expenses as the amount of matching funds certified to the candidate bears to the total amount of deposits of contributions and matching funds, as of the candidate's date of ineligibility.

The formula and the appropriate calculation with respect to the Committee's receipt activity is as follows:

$$\frac{\text{Total Matching Funds Certified through the Date of Ineligibility - 2/12/88}}{\text{Numerator plus Private Contributions Received through 2/12/88}} = .259634$$

$$\frac{\$439,385}{\$439,385 + \$1,252,965} = .259634$$

Thus, the repayment ratio for non-qualified campaign expenses is 25.9634%.*

B. Apparent Non-Qualified Campaign Expenses

Section 9032(9) of Title 26 of the United States Code defines, in part, the term "qualified campaign expense" as a purchase or payment incurred by or on behalf of a candidate or

*/ This ratio differs slightly from that in the Interim Audit Report.

8 9 0 7 0 1 6 4 6 6 3

his authorized committee made in connection with his campaign for nomination which neither the incurring of nor payment of constitutes a violation of any law of any state in which the expense is paid.

Section 9033.11 of Title 11 Code of Federal Regulations states, in part, that each candidate shall have the burden of proving that disbursements made by the candidate or his authorized committee are qualified campaign expenses. For disbursements in excess of \$200 to a payee the candidate shall present one of the following:

A receipted bill from the payee which states the purpose of the disbursement; a cancelled check and an invoice generated by payee stating the purpose of the disbursement, or a voucher or contemporaneous memorandum from the candidate or committee which states the purpose of the disbursement. Where neither a receipted bill nor supporting documentation as described previously is available, a cancelled check negotiated by the payee that states the purpose of the disbursement is required. Where a cancelled check stating purpose is not available the committee may present a cancelled check and collateral evidence to document the qualified campaign expense. Such collateral evidence may include, but is not limited to, demonstration that the expenditure is part of an identifiable program or project which is otherwise sufficiently documented; evidence that the disbursement is covered by a pre-established written campaign committee policy.

During a review of the Committee's expenditures it was noted that 49 expenditures totalling \$26,032.10 were not documented in accordance with 11 C.F.R. § 9033.11.

Committee officials indicated they would attempt to provide documentation and were provided schedules of the above expenses at the exit conference.

In the interim audit report, the Audit staff recommended the Committee submit documentation which demonstrates the above expenditures are qualified campaign expenditures. Absent such a demonstration, the Audit staff recommended that the Commission make an initial determination that the Committee make a pro rata repayment of \$6,759 ($\$26,032.10 \times .259634$) to the U.S. Treasury pursuant to 26 U.S.C. § 9038(b)(2).

On January 23, 1989, the committee submitted documentation to support \$393.37 of the above mentioned expenditures. In addition, certain documentation made available during fieldwork was analyzed in conjunction with the Committee's

8 9 0 7 0 1 6 4 5 5 4

response. This review identified 11 disbursements totalling \$2,609.63, as adequately documented.

Conclusion #4

On June 22, 1989 the Commission made an initial determination that the \$23,029.10 (\$26,032.10 - \$393.37 - \$2,609.63) in undocumented expenditures are non-qualified campaign expenses and that the Committee make a pro rata repayment of \$5,979.14 ($\$23,029.10 \times .259634$) to the U.S. Treasury pursuant to 26 U.S.C. §9038(b)(2).

C. Repayment of Matching Funds Received in Excess of Entitlement

Section 9038(b)(1) of Title 26 of the United States Code states, in part, that if the Commission determines that any portion of the payments made to a candidate from the matching payment account was in excess of the aggregate payments to which such candidate was entitled, it shall notify the candidate, and the candidate shall pay to the Secretary an amount equal to the amount of excess payments.

1. Contributions Made Payable to Other Than Candidate or an Authorized Committee

Section 102.17(c)(1) and (2) of Title 11 Code of Federal Regulations states, in part, that the participants in a joint fundraising activity shall enter into a written agreement. The written agreement shall identify the fundraising representative and shall state a formula for the allocation of fundraising proceeds. In addition to any notice required by 11 C.F.R. § 110.11, a joint fundraising notice shall be included with every solicitation for contributions. This notice shall include the names of all committees participating in the joint fundraising activity whether or not such committees are political committees; the allocation formula to be used for distributing joint fundraising proceeds, a statement informing contributors that, notwithstanding the stated allocation formula, they may designate their contributions for a particular participant or participants, and a statement informing contributors that the allocation formula may change if a contributor makes a contribution which would exceed the amount that contributor may give to any participant. See also 11 C.F.R. § 9034.8.

During May 1987 the Committee participated in a series of joint fundraising events. A review of proceeds received from the joint fundraising events indicated that contributions made payable to or designated by memo to other than the candidate or the candidate's authorized committee were included in the Committee's threshold submission. Further review identified 22 contributions totalling \$1,222.50 made payable to or designated to other than the candidate or his authorized committee which were submitted for matching and subsequently matched for \$1,174.

8 9 0 7 0 1 6 4 5 5 5

2. Excessive Portions of Contributions
and Refunded Contributions Which Were
Submitted for Matching

A review of excessive contributions was made with respect to those contributions submitted for matching. This review indicated that in 2 instances, the Committee submitted for matching a contribution that, when aggregated with other contributions from the same contributor, exceeded in its entirety the \$1,000 limitation. For example, contributor A made a \$1,000 contribution to the Committee in January 1987 and a second \$1,000 contribution in June 1987. The Committee submitted for matching the second \$1,000 and received matching funds totalling \$250.00.

It is the opinion of the Audit staff that the \$1,000 contribution made in June 1987 from contributor A is not matchable pursuant to 11 C.F.R. § 9034.3(e), which states that contributions which are made or accepted in violation of 2 U.S.C. § 441a are not matchable. In 5 instances the excessive contributions submitted for matching were refunded to the contributors.

Matching funds totalling \$1,681 were received relative to the 7 contributions discussed above.

The Audit staff recommended in the interim audit report that absent a showing to the contrary the Commission make an initial determination that the Committee make a repayment of \$2,855 (\$1,174 + \$1,681) to the U.S. Treasury pursuant to 26 U.S.C. §9038(b)(1).

On December 21, 1988, the Committee stated in its response to the interim audit report it was unable to provide additional documentation to support the contributions in question.

Conclusion #5

On June 22, 1989 the Commission made an initial determination that the Committee make a repayment of \$2,855 (\$1,174 + \$1,681) to the U.S. Treasury pursuant to 26 U.S.C. §9038(b)(1).^{*/}

^{*/} Additional recommendations, including potential repayments, may be forthcoming with respect to matters addressed at Finding III.C.

Repayment Recap

Apparent Non-Qualified Campaign Expenses Finding III.B.1.	\$ 5,979.14
Matching Funds Received in Excess of Entitlement Finding III.C.1.	1,174.00
Finding III.C.2.	<u>1,681.00</u>
Total Repayment Requested	<u>\$ 8,834.14*/</u>

D. Determination of Net Outstanding Campaign Obligations

Section 9034.5(a) of Title 11 Code of Federal Regulations requires that within 15 days of the candidate's date of ineligibility, the candidate submit a Statement of Net Outstanding Campaign Obligations which contains, among other items, the total of all outstanding obligations for qualified campaign expenses and an estimate of necessary winding down costs.

In addition, 11 C.F.R. § 9034.1(b) states, in part, that if on the date of ineligibility a candidate has net outstanding campaign obligations as defined under 11 C.F.R. § 9034.5, that candidate may continue to receive matching payments provided that on the date of payment there are remaining net outstanding campaign obligations.

General Haig's date of ineligibility was February 12, 1988. The Committee filed a Statement of Net Outstanding Campaign Obligations (NOCO) on February 29, 1988 which reflected the Committee's estimated NOCO as of February 12, 1988. The Audit staff reviewed the Committee's financial activity through April 21, 1988 and estimated the Committee's winding down costs and made adjustments to the NOCO. The Committee's NOCO as adjusted by the Audit staff appears below:

* / Certain matters referred to at Finding II.D. may also have repayment consequences. Such repayments will be addressed in addenda to this report.

Haig For President
Audit Analysis of February 12, 1988 NOCO Statement
Determined as of April 21, 1988

Assets

Cash in Bank	\$ 17,451.43	
Accounts Receivable	95,501.57	
Capital Assets	<u>-0-</u>	
Total Assets		\$112,953.00

Obligations

Line of Credit	\$168,615.35	a/
Candidate Loan	50,000.00	
Accounts Payable - Qualified Campaign Expenses	209,462.51	
Accounts Payable - Contribution Refunds	33,825.00	
Estimated Winding down costs (2/13/88 - 5/31/88) b/		
Salaries	\$70,934.25	
Travel and Office expense	7,542.72	
Professional fees	<u>10,000.00</u>	
Total estimated winding down costs	<u>88,476.97</u>	
Total Obligations		<u>550,379.83</u> c/
Net outstanding Campaign Obligation Deficit as of February 12, 1988		<u>(\$437,426.83)</u>

Shown below is an adjustment for private contributions and matching funds received for the period February 13, 1988 through March 31, 1988, the most current financial information available at the close of fieldwork.

a/ Includes advances totalling \$28,000 received 2/13/88 - 4/21/88.

b/ Adjustments will be made as necessary.

c/ Since certain estimates were used in computing this amount, the Audit staff will review the Committee's reports and records to compare the actual figures with the estimates and prepare adjustments, as necessary.

Net Outstanding Campaign Obligations (Deficit) as of February 12, 1988	\$(437,426.83)
Private Contributions Received	60,646.07
Matching Funds Received	<u>56,242.05</u>
Remaining Entitlement as of April 21, 1988	<u>\$(320,538.71)</u>

The adjusted NOCO has been discussed with the Committee's Finance Director and she agreed with the adjustment.

Conclusion

In view of the Committee's deficit at February 12, 1988 as indicated on the NOCO statement, the Committee has not received matching fund payments in excess of its entitlement.

8 9 0 7 0 1 6 4 6 6 9

89070164370

